



Diocese of Liverpool

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**Liverpool Diocesan Board of Finance**

# **REPORT AND ACCOUNTS**

**For the year ended 31 December 2007**

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## **CHAIR'S REPORT**

I am pleased, on behalf of the members of the Finance Committee, to introduce the Report and Accounts for the Liverpool Diocesan Board of Finance for 2007.

There is little need for me to comment on the detail of the finances for the year and the underlying activity which this represents, given the comprehensive nature of the Trustees' Report which follows. However this short note does give the opportunity to paint a broader picture and I hope offer reassurance for the future.

The small increase in total funds shown in 2007 was rather deceptive, partly created by the one-off revaluation of Church House, amounting to some £720,000, as it moved from being our operating base to an investment. The more accurate picture was a management accounts revenue deficit of £262,000, a little higher than budget but now on a downward trend. The main cost driver continued to be clergy pensions with a £200,000 increase on the previous year.

Towards the end of 2007 more encouraging signs emerged, including advice of firm Allocations receivable from the Church Commissioners for the next 2 years at a level higher than we had assumed. This, together with useful short term pensions relief we are now to receive, gives the prospect of achieving revenue breakeven earlier than our previous forecast of 2011. At whatever point that is achieved, we will implement our aspiration of linking any future parish share increases only to increases in local ministry costs. From then any new non parish work or increase in cost of such existing work would not fall to be funded out of parish share.

The Finance Committee is very conscious of the continuing strain on parishes of above inflation increases in parish share (even though, expressed as £/church member, it is the lowest of any diocese) and again commends the parishes of the Liverpool Diocese for their excellent record in meeting their commitment, the envy of many dioceses. At the same time as acknowledging the burden on parishes, I need also to highlight the many parishes which have embraced the Giving in Grace stewardship initiative and have discovered treasure, in the form of increased committed giving by church members, significantly so in some cases.

Although in revenue terms there are signs of a more benign outlook in the immediate future, this is less so with capital, impacted by the deteriorating global economic picture. Some modest stock market gains in 2007 were soon overturned as we moved into 2008 and the immediate future is uncertain. Additionally, as a major investor in residential property, the fragile state of this particular market gives cause for concern. What had been anticipated as short term bridging situations, as we invested to improve our stock of parsonages, became protracted, impacting both on our liquidity and anticipated interest receivable.

However at the year end we continued to hold in unrestricted readily realisable funds the equivalent of some 5 months of routine expenditure to give an appropriate buffer. This compares with our current policy minimum of 4 months, which we are prepared to revise downwards to 3 months when we have eliminated revenue deficits.

There is therefore a continuing need for vigilance by the trustees, monitoring carefully our financial performance in all areas but at the same time with a developing confidence that the medium term strategy endorsed by Synod in 2007 is robust.

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Diocesan financial strategy is of course subservient to Diocesan mission and ministry strategy, aiming to provide a predictable and planned financial context for its formulation and delivery. In detail the financial plan incorporates an in principle intent to fund new lay workers in deaneries to the extent that stipendiary clergy available to the Diocese by national formula fall below the level at the start of 2008.

The relocation to St James' House has I know brought a welcome and overdue improvement to the working conditions of diocesan staff, the gifted and committed team forming a key strategic resource of the Diocese. I commend Mike Eastwood for his oversight of the negotiations surrounding this significant move, involving the retention of Church House as a potentially valuable investment and for his overall leadership of the team, supported by his senior management colleagues.

I conclude with thanks also to my fellow trustees for their patience and their insight. Stewardship of Diocesan financial assets is in good hands.

**David Tomkins**  
**Chair**

## **TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2007**

*This is our third annual report following the guidance of SORP 2005. As we have commented before some of the information, especially early on in the report, is best described as necessary but dull. Readers interested in the work of the charity might like to concentrate on the following sections:*

3. Objectives and activities
4. Achievements and performance
5. Financial review
6. Plans for the future

*Alternatively, you may wish to get hold of a copy of our 2007 Annual Review available from St James' House or via our website [www.liverpool.anglican.org](http://www.liverpool.anglican.org)*

### **I. REFERENCE AND ADMINISTRATIVE DETAILS**

#### **Legal structure**

Liverpool Diocesan Board of Finance is a multi-faceted structure. It is:

- ♦ A registered charity (no. 249740)
- ♦ A company limited by guarantee (no. 18301)
- ♦ A Board of Finance established under the Diocesan Boards of Finance Measure 1925
- ♦ A trust corporation.

Its registered office is St James' House, 20 St James Road, Liverpool LI 7BY.

The governing body of the diocese is the Diocesan Synod whose members are also members of the Diocesan Board of Finance.

Although the work of the Finance Committee is the sole responsibility of those elected to serve on it, all its business is conducted under the authority of the Diocesan Bishop who presides over all the affairs of the diocese.

#### **Trustees**

The financial executive of the Diocesan Synod is the Finance Committee. The members of the Finance Committee are the directors of the company and trustees of the charity. Through a combination of elected, ex officio and co-opted posts our constitution enables us to achieve an appropriate balance between clergy and lay people.

Elections to the Finance Committee take place every three years. There were elections in October 2006 for the current Finance Committee which will run from 1 January 2007 to 31 December 2009. All the trustees served throughout the year. The members as at 22 May 2008 are:

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David Tomkins, Chair (ex-officio)

Rev Chris Jones, Deputy Chair (elected)

David Burgess (elected)

Allan Jones (elected)

Peter Owen (elected)

Michael Pitts (elected)

Mark Stafford (elected)

Bob Timmis (elected)

Canon Cynthia Dowdle (elected)

Rev Martin Duerden (elected)

Bishop of Warrington (ex-officio)

Archdeacon of Liverpool (ex-officio)

Archdeacon of Warrington (ex-officio)

Cyril Barratt (co-opted by the Committee)

### **Senior staff**

The Chief Officer for the charity is the Diocesan Secretary, Mike Eastwood. The senior management team, to whom day to day management of the charity is delegated by the trustees, are:

Mike Eastwood, Diocesan Secretary

Jeremy Duff, Director of Lifelong Learning

Stuart Haynes, Media Manager

Bryan Jackson, Finance Manager

Linda Jones, Senior Officer for Church Growth

Jon Richardson, Director of Education

Kath Rogers, Senior Resources Officer

Ultan Russell, Senior Officer for Church & Society

### **Bankers and professional advisers**

#### *Auditors*

Mazars LLP, Merchant Exchange, Whitworth Street West, Manchester M1 5WG

#### *Bankers*

Lloyds Bank plc, Merchants Court, 2-12 Lord Street, Liverpool L2 ITS

#### *Investment managers*

CCLA Investment Management Ltd, 80 Cheapside, London EC2V 6DZ

#### *Diocesan Registrar*

Roger Arden, St James' House, 20 St James Road, Liverpool LI 7BY

#### *Solicitors*

Hill Dickinson LLP, No. 1 St Paul's Square, Liverpool L3 9SJ

## **2. STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Constitution and objects**

The structure governing the work of the charity is complex reflecting the idiosyncrasies of the Church of England. On the one hand the charity is fairly straightforwardly registered as a charity and a company with

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appropriate memorandum and articles of association (last modified in October 2003). On the other hand there are a number of inter-connected relationships and influences directly impacting on the work of the charity (see below).

### **Trustees**

The Finance Committee is the trustee board. It has a mixture of ex-officio, elected and co-opted members. Elections take place every three years at the first meeting of the new diocesan synod (itself elected every three years). The trustees have the power to co-opt members according to their assessment of possible imbalances or skills gaps among the elected and co-opted members. Given the relatively large number of elected and ex-officio trustees the general approach has been to keep co-options to a minimum.

All trustees receive an induction pack and the first meeting of each triennium is largely given over to induction briefings and discussions. Training opportunities are offered, especially around investment issues.

### **Organisational structure and decision-making**

The Finance Committee is the financial executive of the Diocesan Synod and is required to comply with certain directions given to it by that Synod. It holds the budgets and accounts for all committees of the DBF and all activities undertaken by DBF staff and officers. It also needs to work very closely with Bishop's Council as Diocesan Synod made Bishop's Council responsible for the delivery of the diocesan strategy document Responding to the Call. This requires an understanding of the aims and aspirations of those bodies and a desire to see them fulfilled alongside a deep regard for the need for good and appropriate governance of the charity. In recent years there hasn't been a particular conflict between these bodies, nor is one anticipated; however, the potential is always there.

The Finance Committee functions as the Parsonages Board of the diocese for purposes of parsonages legislation, although it delegates the oversight of DBF housing management to the Clergy Housing Committee. It has sub-committees dealing with audit, remuneration of DBF staff, and the management of the DBF property and investments.

The Diocesan Board of Education is integrated into the Diocesan Board of Finance both legally (it is not separately constituted) and practically (the Diocesan Director of Education is a full and participating member of the senior management team). This helps organisational cohesiveness and cross-working.

Trustees are fully aware of their responsibilities under charity law. Within this the day-to-day running of the charity is delegated to senior staff. However, trustees and senior staff are clear that all decisions on policy that may create significant financial or other risk to the company or which affect material issues of principle must be taken by trustees and not staff.

### **Networks and key relationships**

The charity has a multiplicity of relationships. The main ones are probably with:

- ♦ **Diocesan Synod** as the Board of Finance and governing body of the diocese
- ♦ **Bishop's Council** as the body charged with delivering the Diocesan Review
- ♦ The Bishop's **Core Group**, where decisions are taken about the deployment of clergy
- ♦ Other **diocesan committees**, especially the Diocesan Pastoral Committee, Lifelong Learning Committee and Board of Education

- ♦ **Deanery Synods** and **Deanery Pastoral Committees**, where local mission plans are decided and their pastoral implications worked through
- ♦ **Parishes** within the diocese with whom we are intimately connected both in supporting local mission and ministry and in financing the Diocesan Board of Finance
- ♦ **Church schools** in the diocese to whom we offer support and guidance over a range of appointment, curriculum, governance and building matters
- ♦ **Liverpool Cathedral**, on whose campus we are now located and where we are looking to expand and develop joint activities in mission and organisational development
- ♦ **Faiths4Change**, (previously Operation EDEN) through which we help churches develop environmental projects which both engage with their community and its needs and exemplify the biblical imperative to be excellent stewards of God's created earth
- ♦ **Other dioceses**, especially in the North West of England, with whom we make joint appointments and provide services, especially to schools. In 2007 we also produced the excellent *Just Employment Guide* in collaboration with the Dioceses of Chester and Manchester and financed by the Church Urban Fund.
- ♦ The **national church institutions** (Archbishops' Council, Church Commissioners and the Pensions Board) from whom we receive significant funding, policy directives and legal consents to transactions. We also work closely with the national Fresh Expressions team on mission development thinking and initiatives.
- ♦ Other **Christian denominations** with and through whom we work on matters of racial justice, workplace chaplaincy, child protection and ecumenical relations notably through Churches Together in the Merseyside Region, Mission in the Economy, Merseyfest and the Churches Officer for the North West
- ♦ **Interfaith bodies**, such as Merseyside Council of Faiths and Liverpool Community Spirit, as part of our cross-community work to promote good interfaith relations
- ♦ **Tearfund**, where we have a major piece of collaborative work around promoting sustainability of local projects
- ♦ **Church Urban Fund** for whom we have grant-making status as a diocese and, as such, is a key supporter of our work in and through parishes in the most deprived areas of the diocese
- ♦ Key **infrastructural bodies** on Greater Merseyside (notably volunteer centres and councils for voluntary service) on which we represent ecumenical partners and lead on provision in rural areas. We are also actively involved in ChangeUp, the pan Merseyside body, where we represent Churches Together in the Merseyside Region and feed back issues from faith networks to other members, notably councils for voluntary service
- ♦ **Statutory bodies**, such as North West Development Agency, through whom we receive significant levels of support, especially for our partner project Faiths4Change, and DEFRA who with ChangeUp fund us to take the lead on examining the needs of rural communities on Merseyside.
- ♦ **Liverpool Diocesan Council for Social Aid**, professionally advised by Church & Society, whose key roles are running Adelaide House Women's Bail Hostel and working on penal affairs and social inclusion

*Our single most important relationship continues to be with the clergy and lay people within the churches in our diocese whose ministry is the heartbeat of the diocese.*

As at 31 December 2007 there were no subsidiary trading companies to the DBF. However, in 2006 DBE Services Ltd began trading, as did the South North West Regional Training Partnership. DBE Services Ltd is an inter-diocesan company for the dioceses of Liverpool, Blackburn, Carlisle, Chester and Manchester, providing property and other services to schools. South North West Training Partnership is an inter-diocesan company for the dioceses of Liverpool, Manchester and Chester, plus partner denominations, established as part of the developing national church agenda on the provision of training for clergy and readers. We continue to explore the establishment of a more general subsidiary trading company for the DBF to house development and other income generating activities.



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The single most important relationship we have continues to be with the clergy and lay people within the churches in our diocese whose ministry is the heartbeat of the diocese. We currently have around 220 serving parish and cathedral-based stipendiary clergy, around 50 non stipendiary and ordained local clergy, nearly 300 readers and over 100 active retired clergy. We have c. 20 clergy serving full-time as chaplains in schools, hospitals, universities and prisons plus others serving in a part-time capacity. We also have an active committed church membership of c. 50,000.

*We aim to see a sustainable, led and transforming Christian presence in every community in the diocese to enable all people to act justly, love mercy and walk humbly with God.*

### **Risk management**

In addition to the financial and other risks outlined below, there are various key areas of activity where the diocese could incur financial penalties, operational failings or reputational damage. The trustees undertake an annual risk analysis exercise. The Audit Committee is the lead body in this. The analysis continues to highlight a number of risks which could impact seriously on the charity's operation and development. These range from the impact of potential parish indebtedness through to ever increasing pressures on clergy pensions; from the inability of key personnel to cope with the demands of change, through to initiative overload; from the threat of increased litigation to the failure to attract enough clergy to maintain ministry. The Finance Committee oversees the implementation of the recommendations arising out of this risk analysis.

### **3. OBJECTIVES AND ACTIVITIES**

The principal object of the charity is to further the interests of the Church of England, mainly, but not exclusively, in the area covered by the Diocese of Liverpool. The strategic thrust of the current work is laid out in our strategy document *Responding to the Call*.

Our aims can be summarised as follows:

*The Finance Committee sees itself as a servant of Synod and Bishop's Council*

*To see a sustainable, led and transforming Christian presence in every community in the diocese to enable all to act justly, to love mercy and to walk humbly with God.*

The Finance Committee is aware that a diocese succeeds through the mission and ministry of its parishes and its bishops. Through striving for the highest standards of financial management, the Finance Committee aims to create the conditions in which their mission and ministry can flourish and be maximised.

It interprets its role broadly, contributing to the strategic leadership of the diocese, balancing careful stewardship with a flexible and proactive approach, a body that enables, not inhibits. It sees itself as a servant of Synod and Bishop's Council, believing the responsibility of Bishop's Council to be strategic governance and the responsibility of the Finance Committee to be financial governance.

*The Finance Committee interprets its role broadly, contributing to the strategic leadership of the diocese, balancing careful stewardship with a flexible and proactive approach, a body that enables, not inhibits*

The Finance Committee is working towards the following organisational outcomes:

1. A sustainable financial resource to support agreed mission and ministry in the Diocese of Liverpool
2. A talented and high performing team at St James' House serving the mission and ministries of the parishes and bishops and delivering on the aspirations of Responding to the Call
3. A well-run charity which meets the highest standards in governance, management and operational efficiency.

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The committee broadly sees outcomes being achieved over the medium term (5+ years). Within this it sets objectives as a three-year context for these outcomes, annual indicators as the areas specifically assessed over the course of the year and critical success criteria for each indicator, each of which has operational management implications (the responsibility of executive staff at St James' House). The Finance Committee monitors the progress of the success criteria at its meetings.

Our main activities can be broadly summarised as:

- ♦ The development and implementation of mission and church growth strategies
- ♦ The provision of advisory services to bishops, parishes, schools and church bodies (mainly through employed staff)
- ♦ The support, training, payment and housing of clergy
- ♦ The support and training of lay people
- ♦ The management and development of staff members
- ♦ Contributing to the national work of the Church of England

For more detail on individual activities see section 4, "Achievements and performance". For information on our strategic thinking into the future please see section 6, "Future plans".

### **Grant-making policy**

No political contributions were paid during the year. Charitable contributions have been made as part of the Board's objectives. The main grants are as follows:

**Churches Together in the Merseyside Region** – £12,039 as part of our ongoing commitment to ecumenical work

**Mission in the Economy** – £40,600 to support mission and chaplaincy in the world of work

We also contributed £12,120 to our ecumenically funded post working in areas of racial justice

We have an Ecumenical Funding Group to look at how best we work with and through our ecumenical partners. This group reports annually to Bishop's Council.

We continue to help parishes in low income areas with the cost of housing curates and set aside £6,000 a year for this. We also help parishes in the most deprived parishes in the diocese and gave £29,383 in Designated Priority Area grants.

We also continue to help meet some of the additional administrative costs for Area Deans (£2,000 per Area Dean, £1,000 of which is payable to the parish), help with the removal and resettlement costs of clergy (£140,362 in total) and support various national church activities through Archbishops' Council (£291,531).

*The number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church*

### **Volunteers**

The diocese continues, quite rightly, to be dependent on the huge number of people involved in church activities church both locally and at diocesan level. Surveys suggest that faith communities in general and Anglican churches in particular are major contributors to their community through an enormous number of

voluntary activities. This is one of the surest signs that our faith makes a difference to our lives and our outlook; we ignore and neglect this at our absolute peril.

Indeed, at a recent debate in Diocesan Synod, it was strongly argued that the number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church. The service provided to a community through this church managed volunteering also has a significant impact, for example, on people's approaching the church at times of crisis, for baptisms, funerals and the other aspects of church life and community engagement. We are exploring ways of capturing this information.

A resource guide on volunteer management, *Faithfully Volunteering*, is one of several initiatives sponsored by ChangeUp via the DBF. It has been widely distributed with interest expressed in New Zealand. A follow-up training pack has been developed.

Within all of this the DBF greatly values the considerable time given by all the committee members across the diocese in pursuit of the diocese's mission.

### **Carbon Fast**

*In November 2006 the Bishop of London, the then Secretary of State for the Environment David Miliband and Bishop James talked about how the Church can provide leadership concerning the environment. The Carbon Fast for Lent was borne. We identified 40 daily actions to reduce our carbon footprint – from switching off lights when we leave a room, to turning off the tap when we clean our teeth, from filling the kettle with only what you need, to checking your house for draughts.*

*Churches, families and individuals across the Diocese of Liverpool took part, with many reporting what a lasting difference it had made to their shopping and recycling.*

*In 2008, in partnership with Tearfund, the Carbon Fast was launched nationally. Tearfund had 300,000 enquiries – their biggest campaign for years.*

## **4. ACHIEVEMENTS AND PERFORMANCE**

By definition much of our work continues year on year. We took a particular view in 2002 that we should set new initiatives in train and stick with them, believing that they would take time to come to fruition. We are determined to follow these initiatives through until either they achieve their stated goals or until it becomes clear that they will not or cannot. Much of this work and learning informed and was captured in our new strategy document *Responding to the Call*. This now sets the agenda for the work of the charity, having been unanimously endorsed by Diocesan Synod and Bishop's Council in the spring of 2006.

In 2006 we agreed to move to an outcomes basis for performance management. All committees now report into Bishop's Council every 12 – 18 months on the tangible progress made towards the achievement of their outcomes.

For 2007 core achievements and strategic developments can be summarised as follows.

### **Mission-shaped church**

We are strongly committed to the aims and aspirations of the General Synod report *Mission-Shaped Church* and believe that this has been extremely helpfully captured in the Archbishop of Canterbury's phrase 'mixed economy church'. In the Diocese of Liverpool, we are not only committed to this concept, but to a strategy

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that sees the inherited church and fresh expressions working closely together, hand in hand, not only mixed, but merging together in ministry and mission. To enable this to happen, a pioneer ministers team has emerged from within the Church Growth team, and a network of 'mixed economy' churches is being built to encourage and learn from each other.

To help us understand and embrace this vision, we have adopted the imagery of lake and river. Lakes tend to form in settled places, where they become an oasis to the life around them. In the same way, our parish churches offer an oasis and source of life to the community around. Rivers, on the other hand, are often still connected to lakes, but are free to flow wherever the ground gives way into many more and different places. Very often new forms of church flow beyond the neighbourhood and into various networks, from work places to schools and hobby-based groups. Our aim is to build a 'Lake and River' diocese, that honours and cherishes all that it has inherited from the past, but also wants to embrace and pioneer the new future that God in his love is offering a struggling world.

*We aim to build a 'Lake & River' diocese that honours and cherishes all that it has inherited from the past, but also wants to embrace and pioneer the new future that God in his love is offering a struggling world*

There are a number of ways in which we are taking all this forward. These include:

### Headline events

In January we held a major conference entitled **Dying to Live** and looking at mission into the future. It was attended by over 500 people. In September we held a parallel conference on **Dying to Live in Schools**, looking at the huge mission potential of developing Sunday and midweek worshipping presences in schools. This was attended by over 200 people.

### THE DIOCESE IN NUMBERS

#### **At the end of 2006 there were:**

23,200 adults attending church each week  
6,300 children attending church each week  
c. 50,000 people attending church regularly  
30,100 children attending church schools

#### **At the end of 2006 we had:**

215 stipendiary clergy  
26 non stipendiary clergy  
25 ordained local ministers  
290 licensed readers  
120 retired clergy in active ministry

#### **In 2006:**

Regular givers gave £8.39 a week  
to their local church  
Regular givers increased their giving  
to their local church by 10%  
We collected 98.8% of Parish Share

### Skills training

We continue to develop the ground-breaking **School of Leadership** which looks to train and develop clergy leadership for mission and growth. We believe that excellent leadership at every level is the key to a healthy diocese into the future. Around 50 church leaders have now been through the school. We have also begun our first **Mission-Shaped Ministry** course, a 10 month programme for individuals and groups from local churches who have already set up a fresh expression within their church or are seeking to develop one. 70 people are attending the current course. In 2008 we will introduce the **Mission-Shaped Introduction** course as a taster course for people wanting to explore the development of fresh expressions.

### Church planting

We are looking to plant more churches in the Diocese of Liverpool. This church planting comes in a number of forms. These include:

**St James in the City** – a major new open evangelical church in the centre of Liverpool drawing in students and other people living in the re-populated city centre of Liverpool. We are

currently negotiating with the Churches Conservation Trust to re-possess the church of St James' Toxteth as the home of this new church.

**Riverforce**, which meets in the Merseyside Police Headquarters – something aiming to reach out to police officers operating in a very demanding and time-consuming working environment

**Chill-out** – a group in Bootle who are looking at how to create space and time in heavily stressed lives and communities to find and engage with God. We hope to develop more Chill-Out groups in Bootle and beyond.

**Oaks** – a new style of church planted in the Tanhouse part of Skelmersdale and which we hope can now expand into other parts of the town.

*We are looking to plant more churches in the Diocese of Liverpool*

The fascinating thing about all of this is that some of these churches will remain single entities, reaching out to their own community as churches have done through the ages. Others will develop into networks of churches across the diocese and beyond, each taking a similar approach but adapting to the specific needs of each new community of people they encounter. Both are valid, both are helpful.

The story of Dream is particularly instructive. Dream in Liverpool began as an attempt to reach a particular age group (18 – 30) who were generally untouched by current churches. It set up as a single entity in Liverpool, largely disconnected from any existing church. We now have Dreams in several parish churches and schools across the diocese. This shows how our thinking has evolved away from separate fresh expressions to a genuine model of mixed economy where the traditional or inherited church gives rise to fresh expressions or takes and adapts developing network ideas and grafts them onto what is already there.

### **Awards**

The **Child Friendly Church Award** is now in its 4<sup>th</sup> year. Over 30 churches now have the award. We have developed a parallel **Church and School Award** which aims to help churches and church schools work together creatively.

### ***The dream is growing***

*Dream is “re-imagining church” through a network of groups that seeks to connect with spiritual seekers. By the end of 2007 there were eight Dream groups in a variety of contexts including the work place, schools and churches. The groups all share core values and connect with each other by meeting together, sharing resources, interacting through the Dream website and working on joint projects such as a stall at a mind:body:spirit fair and leading worship at Greenbelt. For further information see [www.dream.uk.net](http://www.dream.uk.net)*

### **Structures**

It is important that mission-shaped thinking permeates every level of the diocese. This is partly about setting up new structures to reflect the changing climate – for example we have developed an informal network of pioneer ministers which will become more formalised after the licensing of Canon Phil Potter as Director of Pioneer Ministry in April 2008. We have also set up a Mission Opportunities Fund group to oversee developments in this area.

The Bishop's Core Group has also been conscious to work creatively with deaneries on clergy appointments to take the mission agenda forward – creative appointments in Widnes and Wavertree are both good examples of clergy and others working in parish church and deanery mission contexts.

And the DBF has been keen to re-work its resources to take this agenda forward. The replacement of a diocesan Youth Officer with a Pioneer Youth Minister is an excellent example.

*It is important that mission-shaped thinking permeates every level of the diocese.*

## Resourcing mission

The DBF has a key role in supporting mission and ministry across the diocese. This support comes in a number of forms – too numerous to capture here. However, here are some of the key strategic initiatives:

### Christian giving

**Giving in Grace**, we believe, is quite simply the best stewardship resource available to the church. It brings together discipleship and stewardship principles alongside more general thinking to create a very powerful tool for Christian giving. By the end of 2007 c. 55% of parishes will have undertaken a Giving in Grace programme. The average increase in total individual giving tends to be 25% per parish (although some have increased their giving by as much as 40%), and then another significant uplift in giving when the programme is repeated 12 – 18 months later.

*Giving in Grace is quite simply the best stewardship resource available to the church*

### Sustainable community engagement

The **Sustainability Project**, with funding from Tearfund, is helping parishes look at how to make good projects into sustainable ones. A key development in 2007 was the roll-out of the *Discovery* programme which helps churches in lower income areas think and plan creatively about how they can develop community-focused work into the future. A new partnership has been agreed with Tearfund for 2007 – 2009.

The sustainability project looks set to develop in a new and exciting partnership between the Church Urban Fund, the five north west dioceses and the North West Development Agency. This partnership should lever in significant new funds to invest in faith-based social enterprise in 2008 and beyond.

Our **Designated Priority Area Strategy** targets support and development assistance to those of our parishes in the most deprived communities in the country. This is starting to have a major impact on the mission of the church in disadvantaged areas and is a key plank of our on-going commitment to resourcing and enhancing mission and ministry in every parish in the diocese. This alongside the successful application to the Church Urban Fund to obtain grant-making status is enabling us to target further significant funding to areas of multiple deprivation. We will update the strategy through the government's latest Index of Multiple of Deprivation; we will be interested to see its impact on our more deprived parishes.

### Resource churches

In 2007 we designated Saint Faith and Saint Mary the Virgin in Crosby as our first diocesan resource church, in this case for liturgy and worship. In 2008 we will designate St Mark's Haydock as a resource church for pioneer ministry. We hope to continue to identify and designate churches which can actively resource other churches in the diocese in specialist areas, thereby spreading best practice.

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### Re-thinking the future

The **Creatively Changing Churches** group continues to help churches with systemic problems (e.g. low and declining congregational numbers, unfeasible buildings, inappropriate locations, lack of local authenticity) to think positively and creatively about a new and different future.

### Training and development

Lifelong Learning brought forward three significant new initiatives in 2007. The **Learning for Mission and Ministry Course** took its first students in September 2007. This is the new course for preparing Readers and

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Clergy in our region (i.e. the area covered by the Dioceses of Chester, Liverpool and Manchester and the Baptist, Methodist and United Reformed Church). The course combines weeknight teaching at six centres across the region (including Wigan and Liverpool) with some Saturdays/Weekends, and places great importance on the interaction between the ongoing context of the student's Christian community and the course material. Liverpool supplied a third of all the students in the first year, and contributes many teachers and pastoral tutors. Coming together regionally with our partner churches and local universities (Chester and Liverpool Hope) has allowed us to provide a richer training experience at no extra cost.

*The course places great importance on the interaction between the student's Christian community and the course material.*

**Fresh Start** is the Diocese's new programme for clergy moving to new posts and for lay leaders in the congregations receiving them. It recognises that a change in the clergy leadership of a parish is a crucial moment of transition for all involved. The programme is designed to strengthen relationships, to assist with the issues inherent in any new ministry, to sharpen the skills of lay leaders and clergy for congregational development and leadership and to give clergy encouragement to reflect on the challenges and opportunities of their new role.

2007 also saw the development work on **Ministerial Development Review**. General Synod is in the process of bringing in new terms of service for clergy. One aspect of this is a requirement for all clergy to have regular Ministerial Development Review to ensure that clergy are properly supported and their development encouraged. After much discussion and consultation a draft scheme for MDR for Liverpool Diocese was approved in December 2007 to be piloted by Core Group, Area Deans and four pilot deaneries in 2008.

### Schools

Nearly all of our 118 schools receive support from the Education Department through our service agreement and through DBE Services Ltd (from whom we received £81,638), particularly through curriculum and management support and training, support for governing bodies (especially senior staff appointments) and support for buildings related capital projects in voluntary aided schools. After the introduction of a new Framework for Religious Education for Anglican secondary schools in the northwest in 2007, a revised primary school RE Syllabus is now being implemented.

Following the opening of the Academy of St Francis of Assisi in 2005, plans are now at an advanced stage for a new academy at Newton le Willows, in partnership with the Catholic Archdiocese and Liverpool Hope University. Proposals have been made to build a similar academy in South Liverpool, and a new Anglican/Catholic secondary school is to open in 2009 in North Huyton, with a new Anglican/Catholic primary school on the same campus. We are also engaged in projects to rebuild St Elphin's Primary School, Warrington, and to build new Church primary schools in the Seaforth area of Sefton and the Walton area of Liverpool.

*Taken together, these schemes will involve approximately £150 million investment by the government in diocesan schools*

Plans to rebuild Archbishop Blanch and St Hilda's high schools on new sites, and to substantially rebuild St Margaret's High School have been submitted as part of the government's Building Schools for the Future programme. Taken together, these schemes will involve approximately £150 million investment by the government in diocesan schools.

### **Access and inclusion**

The DBF's commitment to access and inclusion has continued through the work on Disability Awareness and the appointment of Revd Dr Hannah Lewis as Team Leader for the Deaf. Our policy on vulnerable adults continues to be widely used in many other areas.

### **Parish Share**

This is the money we receive from parishes and is central to the financial health of the DBF. We have two targets for collection rates. We aimed to have a 97% collection rate by the end of January 2008 – in fact it was 97.1%; we aim to have a 98.5% collection rate by the end of May 2008 and are on track to achieving this.

### **Information gathering**

We try to monitor developments in the diocese. We continue to produce an annual **Key Indicators Report** (available separately from St James' House). It suggests that our Sunday attendances have fallen to around 23,200 adults (16+) per week. We believe that this equates to a basic church membership of c. 50,000, although it does not capture many of the people worshipping with and through our churches in many of the newer ways described in this report. We will seek to capture this broader information over the coming years. Either way we are determined to grow our church membership over the coming years.

*We will be supplementing the Key Indicators Report with an annual clergy survey to get a snapshot of the morale and well-being of clergy and the quality of services provided to them*

We will be supplementing the Key Indicators Report with an annual clergy survey to get a snapshot of the morale and well-being of clergy and the quality of services provided to them. The actions arising out of the survey will be reflected in the 2008 Annual Report.

### **Diocesan offices**

In 2007 we moved out of our offices in Church House and into St James' House, on the cathedral campus. We signed a 25-year lease which provides us with good, modern and flexible office and meeting space and offers significant mission and joint development opportunities with the cathedral.

Since the end of the 2007 accounting year, we have sold a 125-year lease on Church House which balances our need to offset the rents due on St James' House with the development opportunities that Church House's location affords, all within the overall context of our low appetite for risk. We believe that it is an excellent deal on every level.

### **Asset management**

#### *Investments*

In 2007 we completed the implementation of our revised investment policy so our investment instructions are appropriate to the requirements of each fund that we hold. Our strategy enables us to invest within agreed parameters while maintaining the benefits of a pooled investment fund.

That said, 2007 was not a good year for our investments. Despite modest investment growth of 0.2% there was a considerable downturn in our equity investments as we had to finance the acquisition of clergy houses



## TRUSTEES' REPORT

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and continued with our modest property development plans aimed at generating new medium-term income streams. We expect a considerable net inflow of cash over the course of 2008 as we sell a number of houses now vacated as a result of the above purchases, plus enhanced income streams from our development activities.

In addition to the modest gains on CCLA investments of £12,127, a revaluation of the Church House property upwards from £79,252 to £800,000 resulted in total gains on investment assets of £732,875.

The CBF Church of England Investment Fund, managed by CCLA and which holds all of our equity investment assets, delivered investment gains in UK equities but these were offset by losses in the Property and Fixed Interest funds. Overall performance was around benchmark for each fund type.

### *Property*

We hold a lot of property (valued at £48 million). Much of this in practice takes the form of notional assets; because we have a responsibility to house clergy we have little operational freedom around disposal or re-working of the individual asset. Rather, our primary responsibility is to ensure that clergy and their families feel safe and comfortable in their homes and that it provides a suitable base for mission and ministry.

2007 saw some changes in our property portfolio. Three properties and the Church House car park were sold for a total value of £551,000. These were previously valued in the balance sheet at a total of £424,000 and so resulted in gains of £127,000. Three properties were bought in the year for a total of £766,000. A further £416,000 was spent on the development of properties.

Our property development work on two former vicarages has met with reasonable success. We have secured an extremely good 25-year tenancy in one vicarage and the occupancy levels of the flats in the other vicarage are improving all the time. These have been significant factors in the further increase of our glebe and property-related income, as well as enhancing the capital value of each.

In early 2008 Church House itself was sold on advantageous terms under a 125-year lease.

## **5. FINANCIAL REVIEW**

2007 was a moderate year financially. The surplus of £110,867 shown in these accounts masks a different operational position. We planned an operating deficit of £213,000 in line with our planned move from a £1.4 million underlying deficit in 2002 to breakeven. Our management accounts, which strip out movement in capital, showed an actual deficit of £262,000, an improvement on the 2006 position. This headline position covers a number of issues – some encouraging and some less so.

### **Encouragements**

The major encouragements centre on the following:

### ***Deprivation across the diocese***

*The Diocese of Liverpool is predominantly urban and contains some of the most deprived communities in England and Wales according to the Indices of Multiple Deprivation (IMD). We have 208 parishes which equals 1.7% of the total number in England. A national average would suggest the following:*

### ***Areas of high deprivation***

*That we should have 8 parishes in the upper 10%*

*IMD - in fact we have 59*

*That we should have 4 parishes in the upper 5%*

*IMD - in fact we have 44*

*That we should have 2 parishes in the upper 1%*

*IMD - in fact we have 13*

### ***Areas of lower deprivation***

*That we should have 135 parishes in the least deprived 50% IMD - in fact we have only 39*

*That we should have 50 parishes in the least deprived 25% IMD - in fact we have only 4*

*Parish Share* – 2007 saw the highest ever amount of cash collected (£5.85 million, although some of this applied to 2006 and previously). It also saw the Diocese of Liverpool once again bucking the regional trend and increasing our already high collection rate. This is an enormous tribute to our parishes, especially given the changes in the Parish Share system introduced in 2004 which left some facing significant increases. It is also a reflection of the significant time and resources devoted to helping parishes in financial difficulties implemented in 2002 – this work is bearing significant fruit, as is Giving in Grace.

*National church income* – this has now stabilised having been set on a fairly relentless downward course in recent years. Indeed, in 2008 we are set to see significant increases in national church income. This is highly significant to us, although it does leave us exposed to developments at national church level which are well beyond our control.

*Clergy numbers* – we continue to manage clergy numbers down in line with the requirements of the Diocesan review. These were absolutely on target at the end of 2007 and the fact that they have been so successfully managed down is a great tribute to the work of the Bishop's Core Group and deanery and diocesan pastoral committees and the seriousness and open-mindedness with which people are engaging with this issue.

*Taking 2005 and 2006 together there has been an additional £400,000 of clergy cost. There will be a further £225,000 of clergy pension cost in 2007. These are highly serious budgeting and financial planning issues for us and have been the key reason why we have not yet achieved our desired goal of revenue break even.*

*Earned income* – in 2007 there was c. £350,000 of earned income within the DBF budget from sources other than Parish Share and charitable grants received (see note 5 to the accounts).

### **Discouragements**

The major discouragements centre on the following:

*Investment income* – for historic reasons we budget for £500,000 investment income and net capital receipts. Although we did achieve some gains on property sales the actual investment income was only £302,089. We have addressed this long-standing issue in the 2008 budget.

*Clergy costs* – we fully support the enhanced clergy stipends as a result of Aspiration 2 of the Generosity & Sacrifice report and we maintain our commitment to fully funding the clergy pension. However, in 2007 pension costs increased by 17% (c. £220,000), even though there was an actual reduction in clergy numbers over the year. Taking the period 2005 to 2007 together there has been nearly £650,000 of additional clergy cost. This has been the key reason why we have not yet achieved our desired goal of revenue break even. That said, the pensions issue appears to have stabilised which again lends confidence for the financial future.

### **Financial strengths**

We believe that our overall financial management is good. We are developing new income streams, have kept central costs under control, maintain a very impressive level of Parish Share collection and can look forward to significant new financial support from the national church. Crucially we have been able to maintain a healthy level of useable reserves (c. 5.1 months – see below).

*It will remain a delicate financial management task to balance current need and future opportunity.*

All of this gives us confidence that we will be able to bring forward our planned date for financial break even from 2011 to 2009, or 2010 at the latest.

### **Reserves**

The reserves policy of the Finance Committee is formulated in line with recommendations of the Charity Commission of England and Wales. The basic policy statement is as follows:

*The DBF aims to maintain the equivalent of at least four months' operating expenditure in cash and equities in the General Fund. This excludes all designated funds, loans and loan guarantees. This policy is to be reviewed annually in the January Finance Committee meeting.*

The unrestricted reserve (essentially cash and equities in the Unrestricted, DBF Property and Pastoral Funds) stands at £4.41 million (when Designated Funds of £394,075 are taken into account). Of this £3.37 million, representing 4 months' operating expenditure, is retained as a general reserve to allow for any unexpected rises in expenditure or shortfall in income. The trustees believe that retaining reserves at the current level will cushion the diocese from short-term revenue problems and will enable them to meet their legal requirements in case of serious financial problems. The current level of reserves represents about 5.1 months' expenditure which the trustees feel is prudent to retain while they are budgeting for revenue deficits.

Designated reserves amount to £383,691 and are to be used for the Mission Opportunities Fund (£379,968) and Designated Priority Area Strategy (£3,723). The initial allocation to the Mission Opportunities Fund covers the period 2006 – 2010. Any additional receipts into the fund, either from donations or the sale of appropriate assets, are also likely to be spent over a 5-year timescale from the date of their receipt. The aim is to take a medium-term view about investing in new forms of church. The Designated Priority Area Strategy (DPA) receives £20,000 and is administered alongside our CUF grants programme. We aim to spend our full DPA designation each year.

### **Investments**

The Investments Committee receive quarterly reports on investment performance. These reports are scrutinised and decisions taken accordingly. The investment managers also attend at least one meeting a year to report more fully on investment policy and review performance.

The Memorandum of Association gives the trustees power to invest in any investment authorised by law in investment of trust funds. The trustees confirm that all investments have been acquired in accordance with their powers, and that they have followed the ethical investment policy used by the central Church of England bodies.

We continue to hold £250,000 with Charitybank. This is partly to act as an endorsement of the aims of Charitybank but more particularly to enhance our developing relationship with them. We believe that down the line this relationship will deliver certain important advantages to the Finance Committee, not least giving us the option of signposting parishes to Charitybank for loans rather than our current arrangement whereby the DBF issues loans and loan guarantees.

Our historic Glebe land portfolio continues to be substantially managed by Denton Clarke.

### **Housing**

The housing is expressed on the balance sheet on the basis of the insurance values of each house, apart from those houses where significant development activity has taken place.

### **Grants received**

Our main source of income is Parish Share. We also receive an allocation from Archbishops' Council. These issues are discussed elsewhere in this report. We continue to be very grateful for the support of Marshall's Charity in the improvement of our housing stock. They also support a programme of CCTV installations in some of our most exposed vicarages; this is central to giving clergy and their families the security they need for ministry and home life.

Our work with Tearfund is mentioned above, as is our continuing support for Faiths4Change (previously Operation EDEN) which is variously funded by the North West Development Agency along with the Environment Agency, Defra and Merseyside Waste Disposal Authority.

## **6. FUTURE PLANS**

2007 is the first year covered by our new strategy document *Responding to the Call*. *Responding to the Call* covers the period 2007 – 2011 and aims to take the previous Diocesan Review forward. It re-affirms many of our strategies for growth, sets a new course for training and development activities, has interesting ideas around church planting, re-emphasises the pivotal role of deaneries, endorses our commitment to low income areas and encourages emerging thinking and action on re-imagining church in those areas where existing models are running out of steam.

*'This is not about throwing everything out and starting all over again. Much of what we currently do is good and right and we must seek to affirm the work that is done and the people who are doing it. This plan is not a blanket rejection of the current and the past; rather it is about looking ahead and asking God where He is taking us and then trying to respond to that call.'*

In 2007 we launched *Responding to the Call* in roadshows across the diocese attended by nearly 1,000 people.

Fundamentally, the document aims to unpack how we go about delivering on our aim

***To see a sustainable, led and transforming Christian presence in every community to enable all to act justly, to love mercy and to walk humbly with God.***

It encourages the church at all levels to ask and respond to the following questions:

1. What is the mission of God?
2. What ministries are needed to fulfil this mission?
3. What resources are needed for these ministries?

As it says in the introduction: 'This is not about throwing everything out and starting all over again. Much of what we currently do is good and right and we must seek to affirm the work that is done and the people who are doing it. This plan is not a blanket rejection of the current and the past; rather it is about

### **Key questions**

1. What is the mission of God?
2. What ministries are needed to fulfil this mission?
3. What resources are needed for these ministries?

## TRUSTEES' REPORT

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looking ahead and asking God where He is taking us and then trying to respond to that call.'

A full copy of Responding to the Call is available on the diocesan website [www.liverpool.anglican.org](http://www.liverpool.anglican.org) or from St James' House on 0151 709 9722.

### **7. FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS**

The Board is Custodian Trustee for trust assets with a market value of £12,911,619 at 31 December 2007. Detailed Certificates of Holdings were sent to parishes and other managing trustees as at December 2007. Most of these trusts are held on behalf of parishes whose charitable purpose is the advancement of religion and therefore is parallel to those of the diocese. The funds are held in separate investments from those of the DBF and there is a separate bank account from which payments are made.

The Board also holds funds for the Liverpool Diocesan Pensions Fund and a number of historic trusts under the practical management of the bishops and archdeacons which give financial support to clergy and their families in need in the Diocese of Liverpool.

### **8. NOTES AND QUERIES**

There are a number of declarations and explanations that also need to be included in the annual report. These are as follows:

#### **Significant changes in fixed assets**

These are now explained in notes 14 and 15 to the financial statements.

#### **Related party transactions**

The diocese is a complex entity with a series of potentially overlapping structures. These can give rise to conflicts of interest. For example, many board members are also active in their local church, either as priests or lay members, and there may well be issues discussed at board level which impact on their own church. There are also specific instances, such as an application for a diocesan loan, where the parish can directly benefit. The board is always conscious of such potential conflicts and the need for board members to act appropriately. Indeed, each Finance Committee meeting has a formal declaration of interest to highlight potential conflicts, and individual members have left the room during certain discussions to ensure freedom of debate.

#### **Post Balance Sheet Events**

Church House was sold after the end of the accounting year on a 125-year lease to BPS Developments Ltd. The rent payable under the terms of the lease is based on a calculation of the open market rental value of the property at the relevant period.

Other than the sale of Church House, there are no significant events occurring between 31 December 2007 and the date of signing the report which have significantly affected the charity.

#### **Fundraising**

There have been no significant fundraising activities at diocesan level in 2007.

TRUSTEES' REPORT

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**Insurance**

We continue to arrange our insurance with Ecclesiastical Insurance Group. The policies are subject to regular review.

**Trustees' interest in shares**

The board is a company limited by guarantee (company number 18301) and trustees, as members, may derive no benefit, income or capital interest in the board's financial affairs, other than the reimbursement of out-of-pocket expenses. Expenses paid to trustees for their work as trustees total less than £1,000.

**Taxation status**

The Board is a registered charity (charity number 249740) and, as such, is not liable to Income Tax or Corporation Tax on its charitable activities.

**Contingent liability**

There were no contingent liabilities on the Board other than those in note 23.

**9. STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The trustees of the Board of Finance are required by company law to prepare financial statements for each financial year which give a true and fair view of the affairs of the company and of the surplus or deficit for that period. In preparing those financial statements, the trustees are required to:

- ♦ Select suitable accounting policies and then apply them consistently.
- ♦ Make judgements and estimates that are reasonable and prudent.
- ♦ Comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements.
- ♦ Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the organisation will continue to operate.

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees also confirm that, as far as they are aware, there is no relevant audit information of which the charity's auditors are unaware and they have taken all steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Finance Committee

**Mike Eastwood**  
**Diocesan Secretary**  
22 May 2008

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LIVERPOOL DIOCESAN BOARD OF FINANCE**

We have audited the financial statements for the year ended 31 December 2007 which comprise the Statement of Financial Activities, the Balance Sheet, the Summary Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of trustees' responsibilities, the company's directors who also act as trustees for the charitable activities of the company are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Trustees' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding remuneration and transactions with the charity is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

AUDITORS' REPORT

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**Opinion**

In our opinion:

- ◆ the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2007 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;
- ◆ the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- ◆ the information given in the Trustees' Report is consistent with the financial statements.

**MAZARS LLP**

**Chartered Accountants  
and Registered Auditors**

Merchant Exchange  
Whitworth Street West  
Manchester  
M1 5WG



STATEMENT OF FINANCIAL ACTIVITIES

**STATEMENT OF FINANCIAL ACTIVITIES  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	Unrestricted Funds 2007 £	Restricted Funds 2007 £	Endowment Funds 2007 £	Total Funds 2007 £	Total Funds 2006 £
<b>INCOMING RESOURCES</b>						
Incoming resources from generated funds						
Voluntary income:						
Parish share	2	5,835,245	-	-	5,835,245	5,599,503
National church institutions	3	1,447,166	-	-	1,447,166	1,393,216
Grants Received	4	662,091	299,313	-	961,404	887,734
Investment Income	6	302,089	148,157	-	450,246	324,661
Incoming resources from charitable activities	5	283,097	211,612	-	494,709	472,028
Other incoming resources	7	344,853	(51,980)	-	292,873	424,235
<b>TOTAL INCOMING RESOURCES</b>		<b>8,874,541</b>	<b>607,102</b>	<b>-</b>	<b>9,481,643</b>	<b>9,101,377</b>
<b>RESOURCES EXPENDED</b>						
Costs of generating funds						
Costs of generating voluntary income						
Investment management costs	8	-	2,723	-	2,723	3,062
Charitable activities						
National Church responsibilities	9	291,531	-	-	291,531	301,188
Ministry in parishes	10	6,352,273	794,232	263,349	7,409,854	7,141,887
Support for mission & ministry in parishes	11	1,661,357	146,051	-	1,807,408	1,760,550
Education	12	318,125	119,006	-	437,131	393,191
Governance Costs	13	155,004	-	-	155,004	138,566
<b>TOTAL RESOURCES EXPENDED</b>		<b>8,778,290</b>	<b>1,062,012</b>	<b>263,349</b>	<b>10,103,651</b>	<b>9,738,444</b>
Net Outgoing Resources before Transfers		96,251	(454,910)	(263,349)	(622,008)	(637,067)
Gross transfers between funds	27	(504,547)	1,107,388	(602,841)	-	-
Net outgoing resources before other recognised gains and losses	20	(408,296)	652,478	(866,190)	(622,008)	(637,067)
Other recognised gains/losses						
Gains on investment assets		7,038	721,323	4,514	732,875	558,014
<b>Net Movement in Funds for the Year</b>		<b>(401,258)</b>	<b>1,373,801</b>	<b>(861,676)</b>	<b>110,867</b>	<b>(79,053)</b>
Balance brought forward 1 January 2007		5,575,159	9,623,649	38,389,517	53,588,325	53,667,378
<b>Balance carried forward 31 December 2007</b>		<b>5,173,901</b>	<b>10,997,450</b>	<b>37,527,841</b>	<b>53,699,192</b>	<b>53,588,325</b>

The Board's income and expenditure all relates to continuing operations.

BALANCE SHEET

**BALANCE SHEET  
AT 31 DECEMBER 2007**

	Notes	2007		2006	
		£	£	£	£
<b>Fixed assets</b>					
Tangible fixed assets	14		45,473,605		45,724,874
Investments	15		8,217,696		7,390,561
Loans	16		186,200		236,200
			<u>53,877,501</u>		<u>53,351,635</u>
<b>Current assets</b>					
Debtors	17	1,103,544		1,276,373	
Bank and cash		241,131		263,126	
		<u>1,344,675</u>		<u>1,539,499</u>	
<b>Creditors: amounts falling due within one year</b>	18	(1,046,284)		(631,833)	
<b>Net current assets</b>			<u>298,391</u>		<u>907,666</u>
Total assets less current liabilities			54,175,892		54,259,301
<b>Creditors: amounts falling due after more than one year</b>	19		(476,700)		(670,976)
<b>Net assets</b>			<u><u>53,699,192</u></u>		<u><u>53,588,325</u></u>
<b>Accumulated funds</b>					
Endowment funds	28		37,527,841		38,389,517
Restricted income funds			10,997,450		9,623,649
Unrestricted funds			5,173,901		5,575,159
			<u>53,699,192</u>		<u>53,588,325</u>

The financial statements on pages 23 to 43 were approved by the Finance Committee on 22 May 2008 and signed on its behalf by:

**David Tomkins**  
Chair

**Rev Chris Jones**  
Deputy Chair

INCOME AND EXPENDITURE ACCOUNT

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**SUMMARY INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Gross Income of continuing operations	9,482	9,101
Total Expenditure of continuing operations	(9,840)	(9,467)
	<hr/>	<hr/>
Net (Expenditure)/Income for the year		
Before transfers and investment asset disposals	(358)	(366)
Profit/(loss) on disposal of assets	-	-
	<hr/>	<hr/>
Net Income/(Expenditure) for the year	(358)	(366)
	<hr/>	<hr/>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Net Income/(Expenditure) for the financial year	(358)	(366)
Unrealised gain on revaluation of assets	733	558
	<hr/>	<hr/>
Total gains and losses recognised since last financial statements	375	192
	<hr/>	<hr/>

CASH FLOW STATEMENT

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £	2006 £
<b>Net Cash Flow from Operating Activities</b>	i	(2,164,128)	(1,062,267)
<b>Returns on Investments and Servicing of Finance</b>			
Investment income		450,246	324,661
		<u>450,246</u>	<u>324,661</u>
		450,246	324,661
<b>Capital Expenditure and Financial Investment</b>			
Sale of tangible fixed assets		1,409,055	1,090,780
Sale of fixed asset investments		4,529,888	4,426,515
Purchase of tangible fixed assets		(867,437)	(431,496)
Purchase of fixed asset investments		(3,972,897)	(4,165,146)
		<u>1,098,609</u>	<u>920,653</u>
		1,098,609	920,653
<b>Management of Liquid Resources</b>			
Parish and other loans issued		(56,500)	(221,000)
Parish and other loans repaid		219,567	216,739
		<u>163,067</u>	<u>(4,261)</u>
		163,067	(4,261)
<b>Financing</b>			
Loans repaid to Church Commissioners		(200)	(125,771)
Loans repaid to CBF		(400)	(401)
		<u>(600)</u>	<u>(126,172)</u>
		(600)	(126,172)
Net Change in cash and cash equivalents		(452,806)	52,614
Cash and cash equivalent brought forward		263,126	210,512
		<u>(189,680)</u>	<u>263,126</u>
Cash and cash equivalents carried forward		(189,680)	263,126

CASH FLOW STATEMENT

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**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**i, Reconciliation of income and expenditure to net cash outflow from operating activities**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Net movement in funds	110,867	(79,053)
Depreciation	(19,481)	19,219
Investment income	(450,246)	(324,661)
(Gains)/Losses on investments and property	(1,003,743)	(558,014)
Transfers re: fixed assets	(651,251)	-
Decrease/(Increase) in debtors	9,762	(181,979)
Increase/ (Decrease) in creditors	(160,036)	62,221
	<hr/>	<hr/>
Net cash flow from Operating Activities	<u>(2,164,128)</u>	<u>(1,062,267)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**I. (a) Accounting policies**

The Company has taken advantage of adapting its own arrangements of the headings and subheadings of its financial statements due to the special nature of its business in accordance with Section 3(3) of Schedule 4 of the Companies Act 1985. The financial statements have been prepared in accordance with applicable accounting standards; the Statement of Recommended Practice "Accounting by Charities" (the "SORP") issued in March 2005, except that freehold properties are not depreciated as set out below (see note k). Note is also taken of the Diocesan Accounts Guide issued August 2006.

A summary of the more important accounting policies, which have been consistently applied, is set out below.

**(b) Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

**(c) Incoming resources**

The principal source of income comes from voluntary giving in the form of parish share. Income is accounted for when receivable, where receipts are reasonably certain and the amounts receivable can be quantified.

**(d) Donations and legacies**

All legacies to which the Diocese has been notified of its legal entitlement are included in the Statement of Financial Activities unless incapable of financial measurement. Assets given for distribution are recognised as income only when distributed. Assets given for use by the charity are recognised as incoming resources when receivable. All such income is brought into account at either the amount actually realised, or a reasonable estimate of their value.

**(e) Grants payable and receivable**

Grants received for restricted purposes are accounted for as restricted funds. They are not recognised until the conditions for receipt have been complied with. Grants restricted to future accounting periods are deferred and recognised in future accounting periods. Grants payable are recognised as a liability when the obligation arises to make a transfer of value to a third party.

Grants payable to National Church institutions are shown in note 9 and grants payable to support work in the parishes in the diocese are shown in note 11.

**(f) Resources expended**

Expenditure is recognised on an accruals basis as a liability when incurred and has been classified under the following categories:

- Cost of generating funds comprise the cost associated with the generation of income for the charity and include fund managers costs
- Charitable Expenditure comprises those costs incurred by the charity in the delivery of its activities. It includes costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

NOTES TO THE ACCOUNTS

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- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include audit fees and costs linked to the strategic management of the charity.
- All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of that resource. Indirect costs, such as Central Costs and Church House costs are allocated to the cost that they support in proportion to the time spent by Church House staff on the relevant expenditure and as set out in notes 10 – 13.

**(g) Investment assets and income arising**

The Board of Finance holds investments for itself and on behalf of parishes and other charities. Investments and their associated income are only recognised where the Board is investment custodian, investment managers and the beneficiary.

Investments are shown at market value, or at the trustees' best estimate of such. All unquoted investments are held with, and valued on the basis of information provided from the Central Board of Finance. Glebe Property is included at insured value as a reasonable estimate of market value.

Dividends and interest are included in the financial statements when received and gross of recoverable taxation.

Realised gains on investments are reinvested where appropriate. Both realised and unrealised gains are disclosed in the Statement of Financial Activities.

**(h) Major Funds**

Funds held by the Company are either:

Restricted funds – these funds consist of trust and other funds, which may only be used for specific purposes imposed by the settler, donor or legislation.

Permanent Endowment funds – these are funds where there is no power to convert capital into income. Where the directors have the power to convert endowments into income, these funds are known as expendable endowments.

Unrestricted funds – these are funds which may be used for general purposes without any external restriction.

Designated Funds – these are unrestricted funds that have been set aside by the Board for purposes designated by Diocesan policy. Such designations may be set aside from time to time according to policy decisions.

Details of the major funds held by the Board are given in note 28 to the Financial Statements.

**(i) Stipends**

Clergy stipends and the salaries of licensed lay staff, though a diocesan responsibility, are paid through the Church Commissioners payroll. The cost of the stipends and salaries paid by the Church Commissioners on behalf of the Board and income received by them centrally are shown gross in these financial statements. However, bishops are paid for mostly or entirely by the Church Commissioners and the relevant costs have been excluded from these financial statements.

NOTES TO THE ACCOUNTS

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**(j) Staff Pensions**

The Board of Finance contributes to the Church of England Funded Pension Scheme (for clergy) and the Church of England Defined Benefits Scheme for other staff. Both these schemes are multi employer pension schemes and it is not possible to identify the assets and liabilities of the schemes which are attributable to the Board. Therefore, in accordance with FRS 17, payments to the schemes are accounted for as for defined contribution schemes and the Board accounts for pension costs on the basis of contributions actually payable to the schemes in the year. Details of the schemes are given in note 25 to the accounts.

Pension scheme contributions are charged to the Statement of Financial Activities in the period to which they relate. Details of the schemes operated by the Board are given in note 25 to the Accounts.

**(k) Fixed assets**

Classes of Fixtures and fittings are grouped and only those classes with a value of over £10,000 are capitalised and not expensed. Glebe and parsonage houses and other property used by the Diocese are capitalised at cost, or valuation when first capitalised or transferred to the Board. Parsonage and Glebe houses that were first capitalised during the year end 31 December 2005 were included at an estimate of market value, based on insurance valuations made at 31 December 2003 and this valuation has not been updated.

Other Property is held in the balance sheet at cost, or valuation when the property was transferred to the Board.

Profits or losses arising on the sale of property are appropriated to the accumulated capital account, or passed to the Church Commissioners in the case of Value Linked Loan property.

Depreciation is not provided on buildings or value linked loan property as it is the company's policy to maintain the buildings in a state of good repair, and the directors consider that the life of the properties and their residual values are such that depreciation is not significant.

Depreciation on fixed assets is provided on a straight-line basis over five years for furniture and over three years for IT equipment.

All fixed assets are held for continuing use in the charity's activities and are therefore classified as fixed assets for charitable use.

**(l) Netting off of expenses and income**

All incoming resources are reported gross, as far as is possible. Income received in circumstances where a claim for repayment of tax has been or will be made, is grossed up for the tax recoverable and the gross figure included as income.

**(m) Designated funds**

Designated funds are used for their intended purpose. Any transfers to or from designated funds are subject to authorisation controls.

**(n) Reserves**

Accumulated capital is the amount transferred from general reserve, profits less losses on sale of fixed assets and investments, legacies and gifts received for capital purposes. The general reserve is the total accumulated surplus less deficits for the Board of Finance.



NOTES TO THE ACCOUNTS

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Restricted funds are subject to specific conditions either imposed by the donor and binding on the Board or linked to the basis on which money was obtained. They represent unspent restricted income and/or assets to which restrictions as to their use apply.

**(o) Value Linked Loans**

Value linked loans from the Church Commissioners that are administered by the DBF and the corresponding equivalent value of property to which they relate are all included in the Balance Sheet as an asset and a corresponding liability, in accordance with the recommendation of the Diocesan Accounts Guide. Such parish related loans outstanding at 31 December 2007 amounted to £186,200 (2006 - £236,200). Where the property is held in trust for Parish use, the asset is included as a Loan in note 16 to the accounts and where the property is held for Diocesan purposes it is included in DBF property in note 14 to these accounts.

**(p) Irrecoverable VAT**

Irrecoverable VAT is grossed up and included in all relevant expenditure.

**(q) Operating Leases**

Rentals payable under operating leases are charged in the SOFA on a straight line basis over the lease term.

NOTES TO THE ACCOUNTS

**2. PARISH SHARE**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
General parish share income	5,835,245	-	-	5,835,245	5,599,503
	<u>5,835,245</u>	<u>-</u>	<u>-</u>	<u>5,835,245</u>	<u>5,599,503</u>

**3. National Church Institutions**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
Church Commissioners					
Allocation to Diocese	1,249,446	-	-	1,249,446	1,197,668
Parish Ministry Support Grant	177,300	-	-	177,300	175,900
Grant for legal services	20,420	-	-	20,420	19,648
	<u>1,447,166</u>	<u>-</u>	<u>-</u>	<u>1,447,166</u>	<u>1,393,216</u>

**4. Grants Received**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
Discretionary Funds Grant	96,323	-	-	96,323	85,680
DPA Strategy Income	-	1	-	1	634
Tearfund Project	-	27,620	-	27,620	17,380
Mission Opportunities Fund	-	10,374	-	10,374	-
Operation Eden & Faiths 4 Change	-	155,439	-	155,439	214,561
Marshalls Charity Grants	-	18,940	-	18,940	23,040
Partners in Mission Income	-	831	-	831	1,003
Church Growth	-	3,122	-	3,122	5,634
Stipends	23,766	-	-	23,766	8,002
DBE Services Ltd	81,638	-	-	81,638	27,950
Church & Society	-	82,986	-	82,986	69,144
Assigned Fees	460,364	-	-	460,364	434,706
	<u>662,091</u>	<u>299,313</u>	<u>-</u>	<u>961,404</u>	<u>887,734</u>

NOTES TO THE ACCOUNTS

**5. Incoming resources from charitable activities**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
Hospital Chaplaincy	9,090	-	-	9,090	8,713
Gift Aid Scheme	19,431	-	-	19,431	25,871
Church House Income	-	-	-	-	-
General DBF Income	41,730	-	-	41,730	63,752
Fellfield Income	9,710	-	-	9,710	8,376
Board of Education	173,969	-	-	173,969	143,799
DBE Property Income	-	150,000	-	150,000	-
Communications Office	-	-	-	-	11,637
Lifelong Learning	29,167	-	-	29,167	34,827
Clergy Housing Income	-	44,709	-	44,709	159,785
Church Inspection Fees	-	16,903	-	16,903	15,268
	<u>283,097</u>	<u>211,612</u>	<u>-</u>	<u>494,709</u>	<u>472,028</u>

**6. Investment Income**

	<b>Unrestricted £</b>	<b>Restricted £</b>	<b>Endowment £</b>	<b>Total Funds £</b>	<b>Total Funds £</b>
DBF Investment Income	302,089	-	-	302,089	224,176
Parsonages Rental Income	-	127,739	-	127,739	87,362
Glebe rental income	-	20,418	-	20,418	13,123
	<u>302,089</u>	<u>148,157</u>	<u>-</u>	<u>450,246</u>	<u>324,661</u>

**Investment income represents income receivable from:**

	<b>2007 £</b>	<b>2006 £</b>
Unquoted investments	360,958	186,716
Loans and deposits	89,288	137,945
	<u>450,246</u>	<u>324,661</u>

NOTES TO THE ACCOUNTS

**7. Other incoming resources**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
Church Repairs Fund	5	-	-	5	5
Pastoral Account	-	22,000	-	22,000	692
Gains/(Losses) on Disposal of Property	344,848	(73,980)	-	270,868	423,538
	<u>344,853</u>	<u>(51,980)</u>	<u>-</u>	<u>292,873</u>	<u>424,235</u>

**8. Investment management costs**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
Glebe Rental Management Charges	-	2,723	-	2,723	3,062
	<u>-</u>	<u>2,723</u>	<u>-</u>	<u>2,723</u>	<u>3,062</u>

**9. National Church responsibilities**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
Archbishops' Council	291,531	-	-	291,531	301,188
	<u>291,531</u>	<u>-</u>	<u>-</u>	<u>291,531</u>	<u>301,188</u>

**10. Ministry in parishes**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
Clergy stipends	4,143,449	-	-	4,143,449	4,176,715
Clergy pension contributions	1,542,432	-	-	1,542,432	1,321,818
National Insurance	216,141	-	-	216,141	244,035
Resettlement/removal grants etc	140,362	-	-	140,362	140,400
Administration and other costs	76,123	-	-	76,123	45,007
Area Dean Grants	39,932	-	-	39,932	53,156
Mission Opportunities Fund	56,435	-	-	56,435	23,216
Clergy Housing	-	794,232	263,349	1,057,581	1,024,785
DBF central costs (25%)	118,551	-	-	118,551	105,368
Church House costs (15%)	18,848	-	-	18,848	7,387
	<u>6,352,273</u>	<u>794,232</u>	<u>263,349</u>	<u>7,409,854</u>	<u>7,141,887</u>

NOTES TO THE ACCOUNTS

**11. Support for mission & ministry in parishes**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
Clergy Training	206,333	-	-	206,333	190,494
Lifelong Learning	194,262	-	-	194,262	205,167
Operation Eden	-	124,708	-	124,708	187,624
Church & Society	178,868	-	-	178,868	165,731
Disability Discretionary	1,299	-	-	1,299	2,284
Church Growth & Ecumenism	156,806	-	-	156,806	175,317
Tearfund Project	-	4,495	-	4,495	17,380
Resources Department	167,731	-	-	167,731	157,506
Giving in Grace	-	-	-	-	40
Partners in Mission	-	-	-	-	734
Ordinands in Training	98,663	-	-	98,663	62,503
General Synod Members Expenses	5,145	-	-	5,145	6,846
Church Inspections	-	9,920	-	9,920	24,467
Communications Office	78,466	-	-	78,466	79,255
Legal Fees	21,877	-	-	21,877	3,192
Pastoral Committee	-	6,928	-	6,928	51,720
Diocesan Synod	6,286	-	-	6,286	5,850
Child Protection Office	22,564	-	-	22,564	9,522
Diocesan Advisory Council	16,698	-	-	16,698	16,684
Other	29,987	-	-	29,987	34,958
Ecumenical Funding	61,939	-	-	61,939	52,503
DPA Parish Housing and DPA grants	29,383	-	-	29,383	18,489
DBF central costs (60%)	284,523	-	-	284,523	252,887
Church House costs (80%)	100,527	-	-	100,527	39,397
	<u>1,661,357</u>	<u>146,051</u>	<u>-</u>	<u>1,807,408</u>	<u>1,760,550</u>

**12. Education**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
Board of Education	318,125	-	-	318,125	308,218
Kensington Academy	-	10,000	-	10,000	-
Property expenditure on schools	-	109,006	-	109,006	84,973
	<u>318,125</u>	<u>119,006</u>	<u>-</u>	<u>437,131</u>	<u>393,191</u>

NOTES TO THE ACCOUNTS

**13. Governance Costs**

	Unrestricted Funds £	Restricted Funds £	Endowment £	Total Funds 2007 £	Total Funds 2006 £
DBF Central Costs (15%)	71,129	-	-	71,129	63,223
Diocesan Registry	62,344	-	-	62,344	53,147
Audit and accounting fees	15,248	-	-	15,248	19,734
Church House Costs (5%)	6,283	-	-	6,283	2,462
	<u>155,004</u>	<u>-</u>	<u>-</u>	<u>155,004</u>	<u>138,566</u>

**14. Tangible fixed assets**

	DBF £	Parsonage £	Glebe & DSF Capital £	Fixtures & Fittings £	Total £
<b>Cost or Valuation</b>					
At 1 January 2007	1,022,619	34,998,060	9,679,718	122,896	45,823,293
Additions	-	535,000	231,000	101,437	867,437
Disposals	(155,172)	(286,000)	(634,000)	(63,015)	(1,138,187)
	<u>867,447</u>	<u>35,247,060</u>	<u>9,276,718</u>	<u>161,318</u>	<u>45,552,543</u>
At 31 December 2007	<u>867,447</u>	<u>35,247,060</u>	<u>9,276,718</u>	<u>161,318</u>	<u>45,552,543</u>
<b>Depreciation</b>					
At 1 January 2007	-	-	-	98,419	98,419
Charge for year	-	-	-	43,534	43,534
Written Back	-	-	-	(63,015)	(63,015)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,938</u>	<u>78,938</u>
At 31 December 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,938</u>	<u>78,938</u>
<b>Net book value</b>					
At 31 December 2007	<u>867,447</u>	<u>35,247,060</u>	<u>9,276,718</u>	<u>82,380</u>	<u>45,473,605</u>
31 December 2006	<u>1,022,619</u>	<u>34,998,060</u>	<u>9,679,718</u>	<u>24,477</u>	<u>45,724,874</u>

Included in DBF is VLL Property amounting to £373,169. VLL Property is property that has been purchased with the help of a value linked loan from the Church Commissioners. When disposed of, the appropriate share of the net sales proceeds will be remitted to the Commissioners and the related liability thereby extinguished. Church House was transferred from Tangible Fixed Assets at cost (£79,252) to Fixed Asset Investments during the year as it ceased to be a functional fixed asset.

NOTES TO THE ACCOUNTS

**15. Fixed asset investments**

	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Unquoted Investments</b>	<b>Total Funds 2007</b>	<b>Total Funds 2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Market value at 1 January 2007	520,928	213,992	6,655,641	7,390,561	7,093,917
Additions	-	415,509	3,557,388	3,972,897	4,165,146
Disposals	-	-	(4,529,888)	(4,529,888)	(4,426,515)
Gains on Investment Assets	-	720,748	12,127	732,875	558,013
Transfers	-	651,251	-	651,251	-
Market value at 31 December 2007	<u>520,928</u>	<u>2,001,500</u>	<u>5,695,268</u>	<u>8,217,696</u>	<u>7,390,561</u>

The above investments are pooled and have been reallocated during the year to ensure that each fund has an appropriate portion of investments allocated to it, taking into account the relative size of the fund and other assets held specifically in that fund.

Following transfer from Tangible Fixed assets, Church House was re-valued in line with a valuation provided by Honeybourne Kenny from its cost of £79,252 to its estimated market value of £800,000 prior to any development.

<b>Historical cost of investments</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Quoted	-	-
Unquoted	3,924,348	4,078,608
	<u>3,924,348</u>	<u>4,078,608</u>

**Unquoted Investments comprise**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
CBF Investment Fund Shares	-	4,070,335
CBF Fixed Interest Securities Fund Shares	960,391	649,963
CBF UK Equity Fund	3,915,032	1,330,804
CBF Property Fund	817,297	601,990
CBF Deposit Fund	2,535	2,535
Glebe & DSF Investments	2,522,429	734,920
DBE Services Ltd	12	12
South West Northern Regional Training Partnership	-	2
	<u>8,217,696</u>	<u>7,390,561</u>

In 2005 the diocese purchased 12 ordinary shares of £1 each (a 20% shareholding) in DBE Services Ltd. DBE Services Ltd provides services for schools. The company started to trade in the period to 31 December 2006. The trading activities were;

Turnover of £876,019 less Administration costs of (£521,075) leaving a Surplus of £354,944. The Diocese's share of the Surplus was £81,638 (see note 4).

The shares may not be disposed of or charged except in accordance with the provisions of the Shareholders' Agreement. Distributable profits attributable to the work done for relevant schools are to be distributed in the proportions to which they arise from the work done for the relevant schools for each shareholder and the remaining distributable profits shall be divided equally between the shareholders.

In 2007 the South North West Training Partnership Ltd was set up to provide the advancement of theological education in areas of Christian Faith, mission and practice. No shares have been issued as the company is limited by guarantee.

NOTES TO THE ACCOUNTS

**16. Loans (amounts falling due after more than one year)**

	<b>2007</b>	<b>2006</b>
	£	£
Loans to Parishes:		
Value Linked Loans for Curates' properties	186,200	236,200
	<u>186,200</u>	<u>236,200</u>

Value Linked Loans for Curates' properties would be repayable when the property is no longer used for that purpose by the parish. These have been included in the balance sheet in accordance with accounting policy 1(o). These loans relate to liabilities referred to in Note 19.

**17. Debtors**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Endowment</b>	<b>Total Funds 2007</b>	<b>Total Funds 2006</b>
	£	£	£	£	£
Amounts due from parishes	251,479	-	-	251,479	228,958
Sundry debtors	345,375	-	-	345,375	345,847
Parish and other loans	388,842	-	-	388,842	551,909
Prepayments	117,848	-	-	117,848	149,659
	<u>1,103,544</u>	<u>-</u>	<u>-</u>	<u>1,103,544</u>	<u>1,276,373</u>

All loans to parishes are interest free.

Debtors include the following balances due after more than one year:

	<b>Total Funds 2007</b>	<b>Total Funds 2006</b>
	£	£
Parish and other loans	191,374	246,295
	<u>191,374</u>	<u>246,295</u>

**18. Creditors: amounts falling due within one year**

	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Endowment</b>	<b>Total Funds 2007</b>	<b>Total Funds 2006</b>
	£	£	£	£	£
Sundry creditors and accruals	585,362	-	-	585,362	603,131
Bank Creditors	430,811	-	-	430,811	-
Taxation and social security	30,111	-	-	30,111	28,702
	<u>1,046,284</u>	<u>-</u>	<u>-</u>	<u>1,046,284</u>	<u>631,833</u>



NOTES TO THE ACCOUNTS

**19. Creditors: amounts falling due after more than one year**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Endowment £</b>	<b>Total Funds 2007 £</b>	<b>Total Funds 2006 £</b>
Loans from Church Commissioners	470,925	-	-	470,925	521,125
Parish/other shares in equity property	-	-	-	-	143,676
Loans from CBF	-	5,775	-	5,775	6,175
	<u>470,925</u>	<u>5,775</u>	<u>-</u>	<u>476,700</u>	<u>670,976</u>

Loans from Church Commissioners are secured on value-linked loan properties, included in fixed assets and are repayable on the sale of the property. No other security has been given for any creditors. Loans in respect of curates properties total £186,200 (2006: £236,200) (see note 16).

**20. Net Outgoing Resources for the year**

	<b>2007 £</b>	<b>2006 £</b>
This is stated after charging: -		
Auditors' remuneration		
Audit	17,073	14,688
Other Costs	16,825	13,378
Depreciation	<u>43,534</u>	<u>19,219</u>

**21. Directors' emoluments**

No emoluments have been paid from Board funds to any members of the Board of Finance. Board members are not included in the employees shown in note 23 below. Board members who are also stipendiary clergy receive remuneration including housekeeping, stipends and pension provisions based on national rates set by the central stipendiary authority.

**22. Post Balance Sheet Event – Sale of Church House**

Church House was sold after the end of the accounting year on a 125-year lease to BPS Developments Ltd. The rent payable under the terms of the lease is based on a calculation of the open market rental value of the property at the relevant period.

NOTES TO THE ACCOUNTS

**23. Employees' information**

The average number of persons employed by the company during the year was:

	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
Full time	32	28
Part time	23	20
	<u>55</u>	<u>48</u>

Included in the above are nine full time and three part time posts funded externally by Operation Eden, Changeup and Service Level Agreements

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Staff costs (for the above persons)		
Wages and salaries	1,048,280	1,011,776
Social Security costs	73,380	60,707
Other pension costs (Note 25)	301,336	293,350
	<u>1,422,996</u>	<u>1,365,833</u>

The above staff costs are allocated to the respective Boards and Committees of the Diocesan Board of Finance. No employees received more than £60,000 p.a. during the year under review (2006: NIL).

**24. Guarantees**

The Board has given guarantees to Lloyds Bank plc of £254,069 (2006: £217,556) in respect of loans granted to parishes.

**25. Pensions**

**(a) Clergy Pensions**

The Liverpool DBF participates in the Church of England Funded Pensions Scheme and employs 214 members of the Scheme out of a total membership of approximately 10,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Liverpool DBF is unable to identify its share of the underlying assets and liabilities – each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31<sup>st</sup> December 2003. This revealed a shortfall of £91m, with assets of £196m and a funding target of £287m.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the Liverpool DBF to account for pension costs on the basis of contributions actually payable to the Scheme in the year. Following the results of the valuation, the Liverpool DBF's contribution rate increased from 29.5% to 33.8% of pensionable stipends with effect from 1<sup>st</sup> April 2005.

Following a subsequent informal review of the Scheme's funding position, the Liverpool DBF's contribution rate increased again to 39.8% of pensionable stipends with effect from 1<sup>st</sup> January 2007 as an interim measure, pending the results of the next formal valuation of the Scheme.

NOTES TO THE ACCOUNTS

A new valuation has now been carried out, as at 31<sup>st</sup> December 2006. This has revealed a shortfall of £141m, with assets of £468m and a funding target of £609m, assessed using the following assumptions:

- An investment strategy of: a nil allocation to gilts for the next 10 years, increasingly linearly to reach 30% after 20 years: and the balance of the assets in equities:
- Investment returns of 4.25% pa on gilts and 5.75pa on equities;
- RPI inflation of 3.1% pa (and pensionable increases consistent with this);
- Increase in pensionable stipends 4.6% pa: and
- Post-retirement mortality in accordance with the PA00 tables, adjusted so that members are assumed to be two years younger than they actually are, with allowance for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1% for males and 0.5% for females.

Taking account of the results of that valuation, as well as some agreed changes to benefits, the contribution rate from 1<sup>st</sup> April 2008 onwards will be 39.7% of pensionable stipends.

**(b) Staff Pensions**

Liverpool DBF also participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund.

At 31 December 2007 the Board had 39 active members and 25 deferred pensioner members in the Fund.

Liverpool DBF is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. A valuation of the Fund was carried out as at 31 December 2004 and the Board's contribution rate has been revised to 23.78% of pensionable salaries with effect from 1 January 2006.

Details of the total pensions cost for the year may be found in note 23 to the accounts.

**26. Analysis of net assets by funds as at 31 December 2007**

	<b>Tangible Fixed Assets</b>	<b>Loans/ Investments</b>	<b>Net Current Assets</b>	<b>Long-term Liabilities</b>	<b>Total</b>
	£	£	£	£	£
Unrestricted funds	949,827	4,424,011	276,763	(476,700)	5,173,901
Restricted funds	7,905,773	3,070,049	21,628	-	10,997,450
Endowment funds	36,618,005	909,836	-	-	37,527,841
<b>Total</b>	<b>45,473,605</b>	<b>8,403,896</b>	<b>298,391</b>	<b>(476,700)</b>	<b>53,699,192</b>

Further details of individual funds are given in note 28 below.

**27. Lease Obligations**

At 31<sup>st</sup> December 2007, Liverpool DBF was committed to making the following payments under non-cancellable operating leases in the year to 31<sup>st</sup> December 2008:

Operating leases which expire:	Land and Buildings (£)
Within 1 year	-
Within 2 to 5 years	-
After 5 years	72,000

## 28. Accumulated funds

The General fund is unrestricted. In 2006, £500,000 was designated to the Mission Opportunities Fund, to give the Board flexibility to respond to fresh expressions of the church in future. So far, £120,032 has been spent, leaving a balance of £379,968 still designated at the end of 2007.

In 2006, it was agreed that £20,000 was to be designated each year to Designated Priority Areas (D.P.A.s). The opening balance for 2007 was £13,116. A further £20,000 was designated during 2007 and £29,393 was spent, leaving a closing balance of £3,723.

The total designated funds including both the Mission Opportunities Fund and D.P.A.s amounts to £383,691.

**Pastoral Account:** The Diocesan Pastoral Account represents the proceeds of redundant churches and parsonages. These funds, held by the Diocesan Board of Finance, have not yet been applied to the purposes permitted by the Pastoral Measure 1983. The Pastoral Account can be used for the acquisition and development of parsonages and other clergy houses and the provision, restoration, improvement or repair of churches once the legal obligations for redundant church buildings vested in the Board for disposal have been met. When authorised, surplus funds may be transferred to the Stipends Fund Capital Account. When these funds have been used to purchase or improve property this has been charged to the Pastoral Account in the year of expenditure. Proceeds of sale have been credited as Income in the year of receipt. Where the Board has used the funds to purchase or improve properties in its corporate capacity, these have been included as Fixed Assets in these financial statements. The Pastoral Account has been included as a restricted fund in these financial statements within the DBF Property Fund.

**Stipends Fund Capital Account:** The Diocesan Stipends Fund Capital account was set up by the Endowments and Glebe Measure 1976 to provide income for clergy stipends. It represents the accumulated sale proceeds of Glebe property, sale proceeds of parsonage houses and surplus benefice endowments following pastoral reorganisation. The capital can be used for the purchase of Glebe or benefice property though the income can be utilised for stipend purposes. The DSF capital account is disclosed as an expendable endowment in these financial statements.

**Parsonage Building Fund:** Parsonage Building Fund represent resources held for the provision of benefice houses in the diocese. It is represented by the collective value of benefice houses held on suspense by the Church Commissioners. Although benefice houses are vested in incumbents for the time being of the benefice concerned, the Board is obliged to maintain them to ensure that there are sufficient houses for the pastoral structure of the diocese and it receives the sale proceeds of benefice houses surplus to requirements into its Stipends Fund Capital Account or Pastoral Account. The major capital expenditure incurred by the Board is the purchase of new or replacement parsonage houses. If there is insufficient funding for the same held in the parsonage building fund, the balance comes from the Stipends Fund Capital Account or the Diocesan Pastoral Account. The Parsonage Building Fund has been included as an expendable endowment fund in these financial statements.

The Specific Restricted fund includes income and related expenditure for the following:

Operation Eden & Faiths 4 Change

Tearfund

Kensington Academy

C of E Stipends Fund

Church Inspections

Akure & Partners in Mission

NOTES TO THE ACCOUNTS

28. Accumulated funds

Movement in Year	General	Specific	DBF	Pastoral	DBE	DSF Capital	Parsonage	Stipends &	Total
	(Unrestricted)	(Restricted)	Property (Restricted)	Account (Restricted)	Property (Restricted)	(Expendable endowment)	House (Expendable endowment)	Ordinands (Permanent endowment)	
	£	£	£	£	£	£	£	£	£
Total Funds 2006	5,575,159	199,549	9,259,193	38,372	126,535	2,482,830	34,998,060	908,627	53,588,325
Incoming resources	8,874,541	297,276	137,826	22,000	150,000	-	-	-	9,481,643
Outgoing resources	(8,778,290)	(149,123)	(796,955)	(6,928)	(109,006)	(263,349)	-	-	(10,103,651)
Property Gains/losses	-	-	-	-	-	-	-	-	-
Investment Gains/losses	7,038	314	720,748	61	200	3,305	-	1,209	732,875
Transfers	(504,547)	-	1,107,388	-	-	(851,841)	249,000	-	-
	<b>5,173,901</b>	<b>348,016</b>	<b>10,428,200</b>	<b>53,505</b>	<b>167,729</b>	<b>1,370,945</b>	<b>35,247,060</b>	<b>909,836</b>	<b>53,699,192</b>
<b>Represented by:</b>									
Tangible fixed assets	949,827	-	7,905,773	-	-	1,370,945	35,247,060	-	45,473,605
Investments	4,237,811	348,016	2,522,427	53,505	146,101	-	-	909,836	8,217,696
Loans	186,200	-	-	-	-	-	-	-	186,200
Net Current Assets	276,763	-	-	-	21,628	-	-	-	298,391
Liabilities	(476,700)	-	-	-	-	-	-	-	(476,700)
	<b>5,173,901</b>	<b>348,016</b>	<b>10,428,200</b>	<b>53,505</b>	<b>167,729</b>	<b>1,370,945</b>	<b>35,247,060</b>	<b>909,836</b>	<b>53,699,192</b>
<b>Analysis of reserves</b>									
General funds	5,173,901	-	-	-	-	-	-	-	5,173,901
Restricted funds	-	348,016	10,428,200	53,505	167,729	-	-	-	10,997,450
Endowment	-	-	-	-	-	1,370,945	35,247,060	909,836	37,527,841
	<b>5,173,901</b>	<b>348,016</b>	<b>10,428,200</b>	<b>53,505</b>	<b>167,729</b>	<b>1,370,945</b>	<b>35,247,060</b>	<b>909,836</b>	<b>53,699,192</b>

**Notes on Transfers:** Church House was transferred at its cost value of £79,252 from the General Fund to the DBF Property Fund. A Glebe Investment Property was transferred from Parsonages to the DBF Property fund at its balance sheet value of £286,000. A transfer of £535,000 from DSF Capital to Parsonages was made to fund the purchase of Parsonage properties. Transfers were made from both DSF Capital (£316,841) and the General Fund (£425,295) to fund DBF Property outgoing resources.